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Accelerating Innovation



**EXPEDITING
DYNAMIC
GROWTH**

**ADVANCING
INNOVATIVE
TECHNOLOGY**

**DRIVING
OPERATIONAL
EXCELLENCE**

**DELIVERING
FINANCIAL
PERFORMANCE**

Welcome

Hanon
SYSTEMS

1-800-451-4511

Leadership Team

Hanon
SYSTEMS



Yeo-Eul Yoon

Chairman
Board of Directors



In Young Lee

President & CEO
Executive Committee



Bob Hickson

President
Executive Committee



Jeong Won Son

Vice President
COO



Chang Ho Park

Vice President
HMG Commercial



Bum Joon Kim

Vice President
CFO



Nurdal Kücükaya

President
Global Commercial



Kwangtaek Hong

Vice President
CTO



Jong Ho Park

Vice President
Corporate Planning




Yong Bong Kim

Vice President
Purchasing

Experienced, Multinational Management Team

First 150 Days Achievements

- 
-  **Complete separation of business from Visteon**
 - June 9: Change of ownership to Hahn & Co. (50.5%) and Hankook Tire (19.5%)
 - R&D, patents, employees, and business process transfer completed
 - Customer relationships unaffected by the separation
 -  **New management structure and incentives**
 - New leadership team with global experience
 - Streamlined organization from regional to functional structure
 - Company-wide alignment of corporate governance and delegation of authorities
 -  **Compelling growth opportunities**
 - Key target products, customers, and markets for investment identified
 - Function level cost reduction initiatives launched
 - Key financial and operational performance metrics revisited

Company Overview



Company Overview



One of only two global
full line automotive thermal
solution suppliers in the world



Headquartered
in Korea; listed
on the Korea Exchange



Global 2014 sales of
₩5.4T



39 manufacturing sites,
4 global technical centers



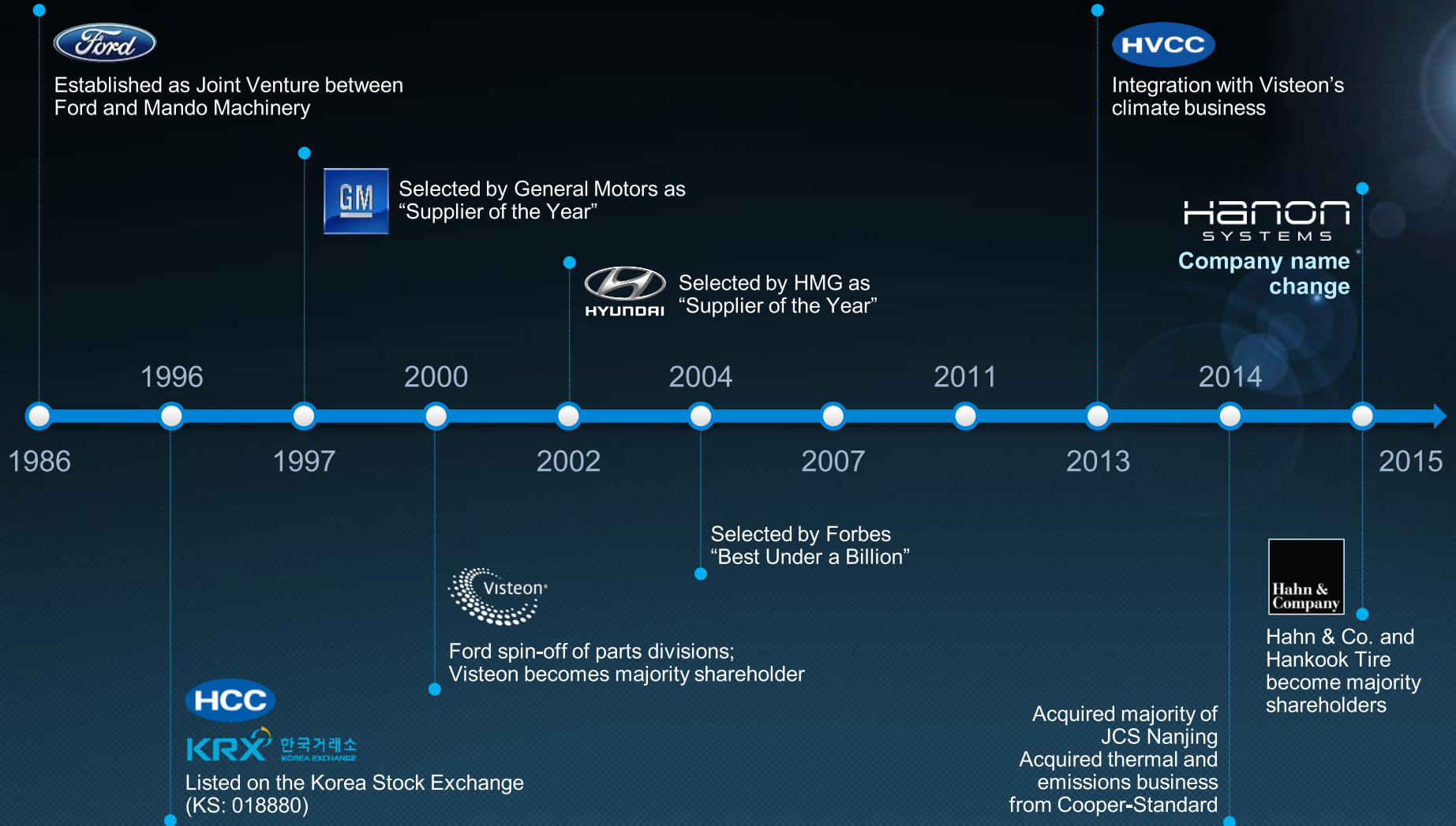
Presence in 19 countries
across Asia, Europe,
North America and
South America



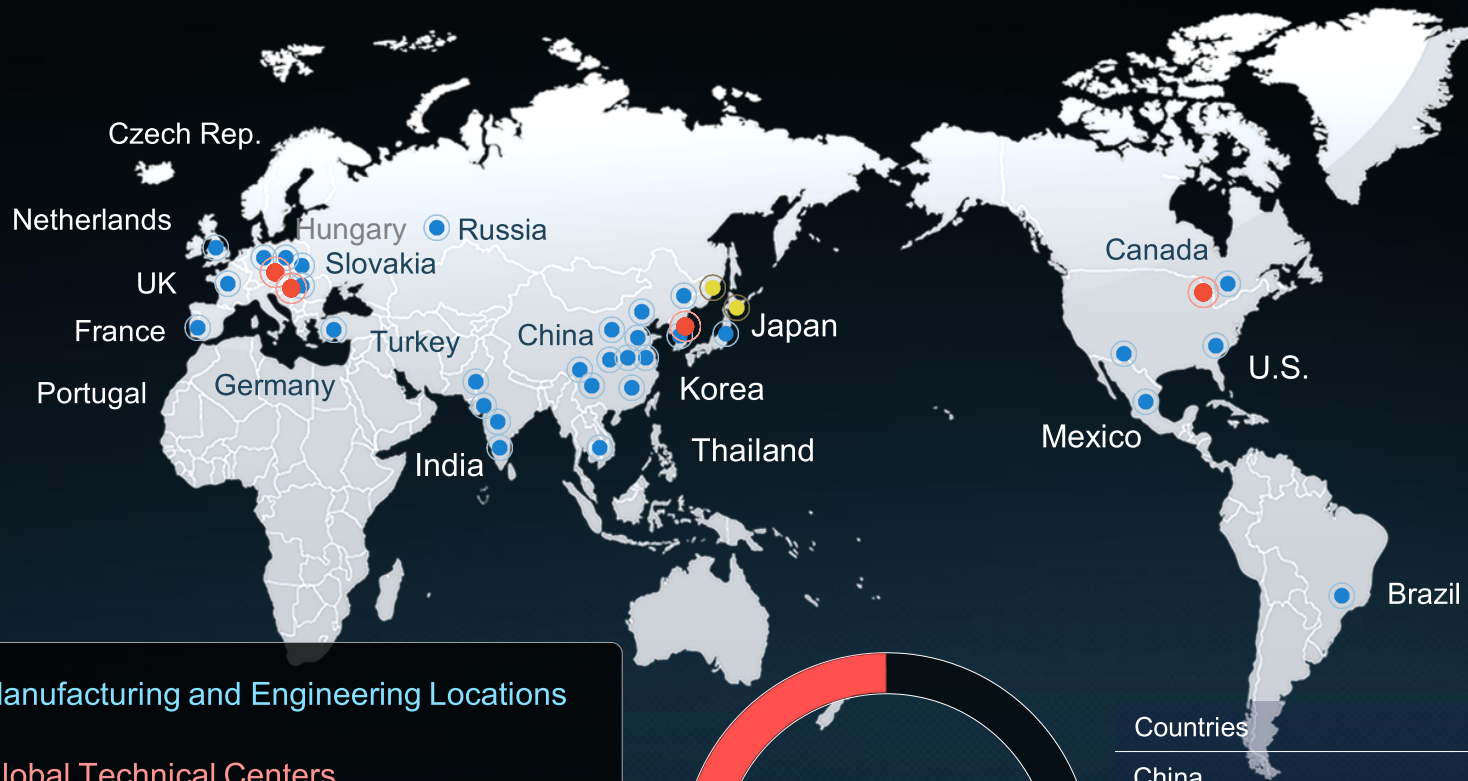
More than 15,500
manufacturing,
engineering and
administrative employees

Our History

HANON
SYSTEMS



Global Footprint



● Manufacturing and Engineering Locations

● Global Technical Centers

- Daejeon, Korea
- Kerpen, Germany
- Novy Jicin, Czech Republic
- Van Buren Twp., Mich., U.S.

● Non-consolidated

- Changchun • Chengdu • Foshan • Wuhu, China



Countries	# of Mfg. (%)
China	11
South Asia	5
Eastern Europe / Russia	6
Mexico / South America	7
Subtotal	29

39 Manufacturing Facilities and 4 Technical Centers

Organizational Transformation

Shifted organization structure from regional to functional



Improved Global Alignment under One Functional Organization

Corporate Strategy



Strong Record of Performance

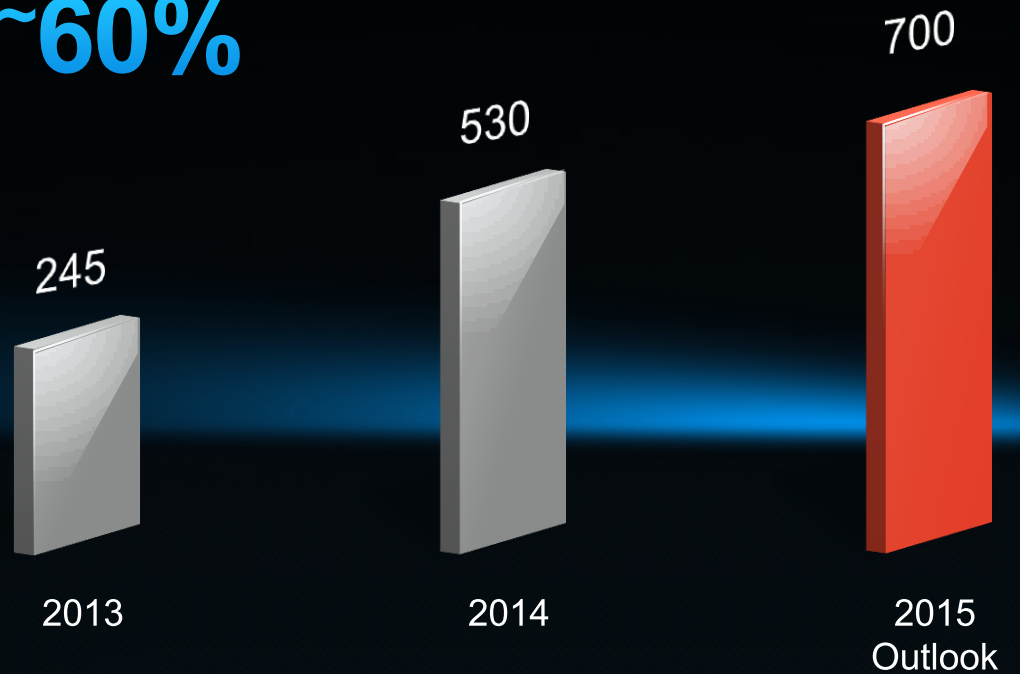
Positive
New Business
Win Trend

Consistently
Recognized
for Technology

Robust
Revenue
Growth

Expanding
Margins
(Gross Profit)

Non-HMG/Ford Contribution (New-win)
2013 ~ 2015
~60%



(K-IFRS / KRW in Billions)

Strong Record of Performance

Positive
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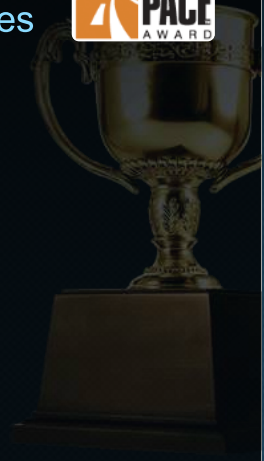
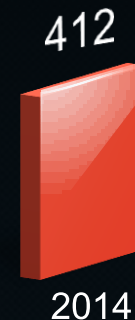
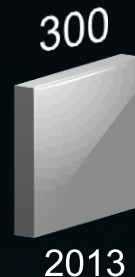
Expanding
Margins
(Gross Profit)

Industry Awards

- 2013 • Metal Seal Fitting for Reducing Refrigerant Leakage
PACE Winner
- 2014 • Glycol-Electric Combo Heater
New Excellent Technology Certificate
- 2015 • Heat Pump System for Electric Vehicles
IR52 Jang Young Shil
- 2016 • UV Photocatalyst LED for Deodorizing Air Conditioning
• Centrifugal Air Compressor for Fuel Cell Electric Vehicles
PACE Finalist



Granted Patents



Strong Record of Performance

Hanon
SYSTEMS

Positive
New Business
Win Trend

Consistently
Recognized
for Technology

**Robust
Revenue
Growth**

Expanding
Margins
(Gross Profit)



(K-IFRS / KRW in Billions)

Strong Record of Performance

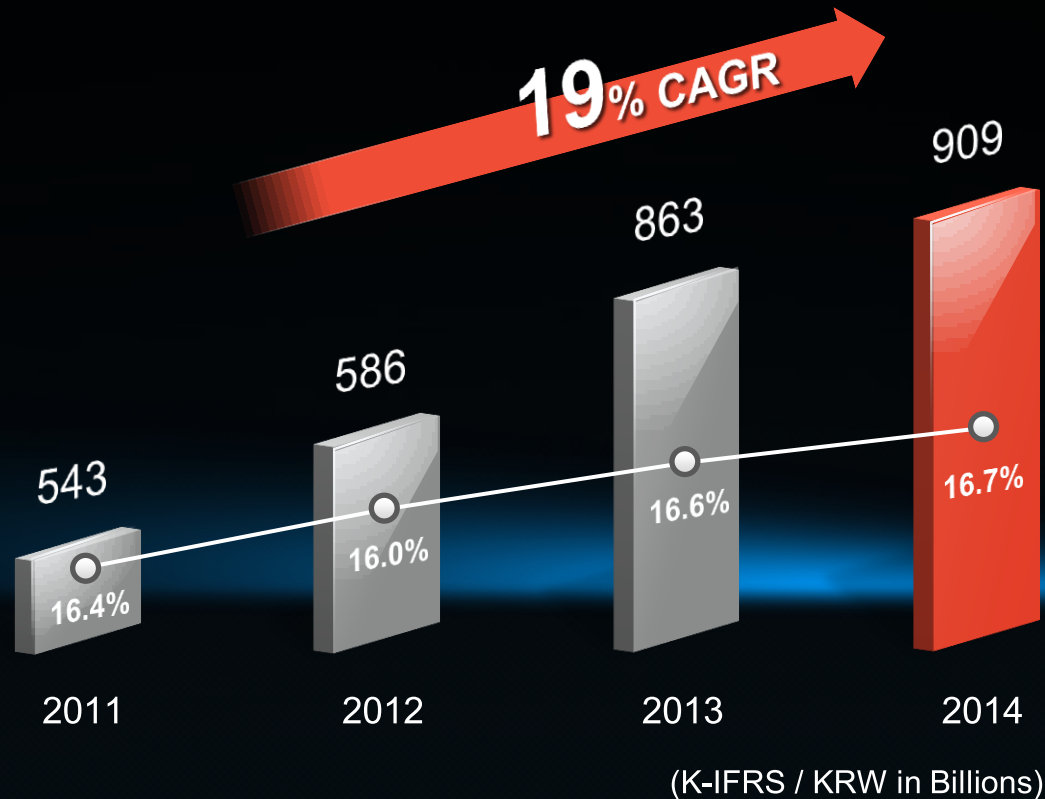
Hanon
SYSTEMS

Positive
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Consistently
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Robust
Revenue
Growth

Expanding
Margins
(Gross Profit)



Impact of Changing Business Environment

Market Dynamics

Implications

Requirements for Growth



Governmental Regulation

- Higher fuel efficiency
- Lower CO₂ emissions
- “Clean” transportation
- A/C credit system



- Downsized engines
- Turbochargers
- Heat recovery and storage
- Alternative powertrains (EV, HEV) and refrigerants



Consumer Trends

- Green car development
- Connected car
- Emerging market growth, particularly China



- Eco-friendly technologies
- Passenger comfort and convenience
- Rise of BRIC countries



Industry Trends

- Globalization
- Competitive cost environment
- Supply base consolidation



- Scale and global footprint
- Standard low-cost designs

Thermal & Emissions Technology

Global Scale and Cost Competitiveness

Balanced Customer Portfolio

Hanon Strategic Priorities for Growth

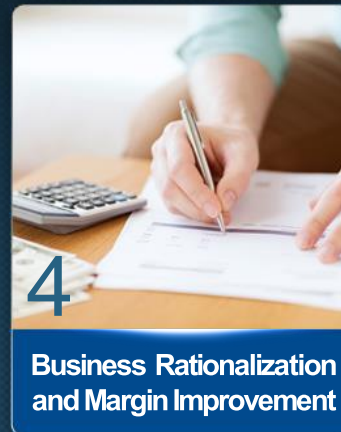
Hanon's Business Direction

1 2 3 4 5

Thermal &
Emissions
Technology

Global Scale
and Cost
Competitiveness

Balanced
Customer Portfolio



Strategies Aligned with Market Trends

Thermal Systems Drive Future Growth

1

2

3

4

5

Traditional Climate Products

4% CAGR



2015e

2020e

(KRW in Trillions)



HVAC



Condenser,
Radiator, Fan



Fluid
Transport



Compressor

Thermal Management Systems

16% CAGR



2015e

2020e

(KRW in Trillions)



CAC, WCAC



EGR



Pumps, Valves



Fuel Cell
Heater



Battery Thermal



Heat Pump



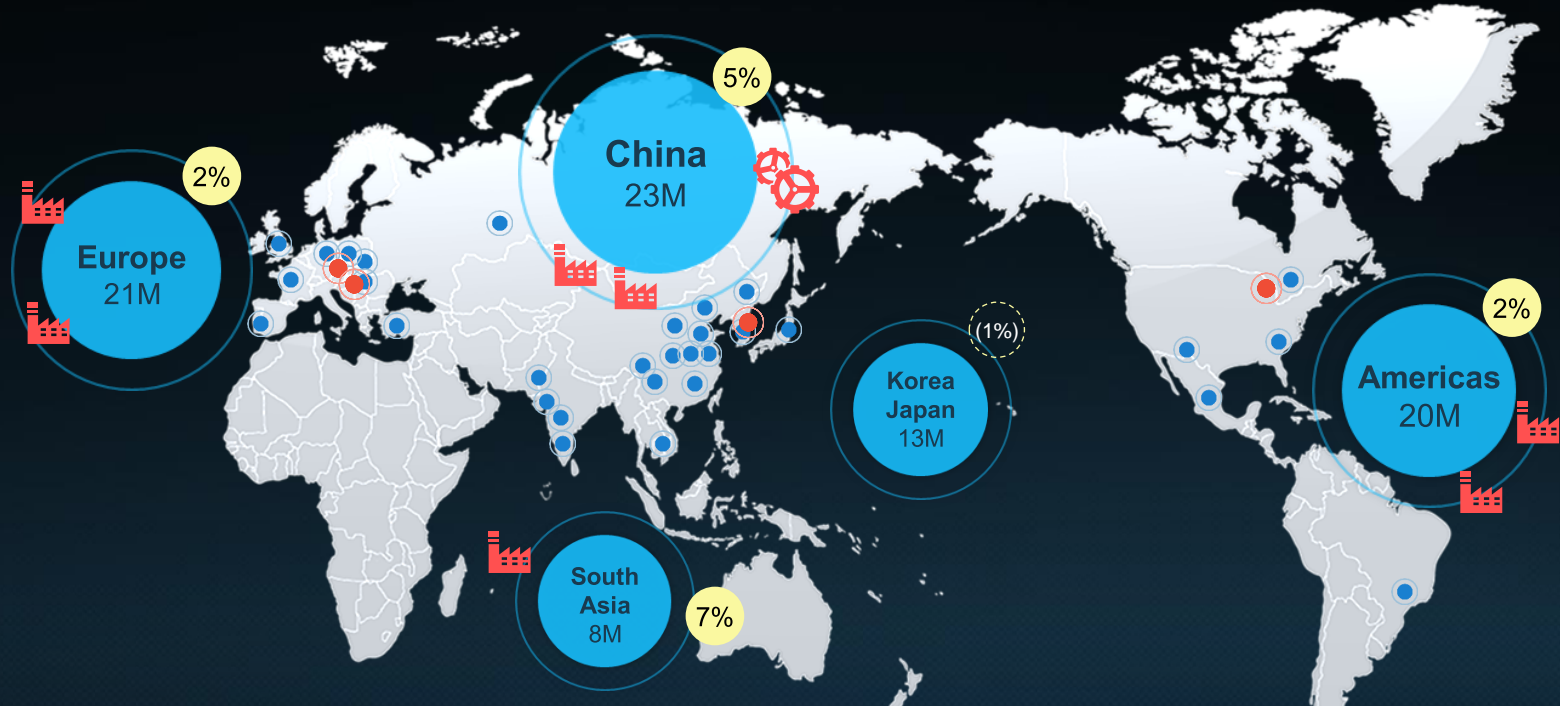
e-Compressor



Supplemental Heat

Expanding in Growth Markets

1 2 3 4 5



Planned Expansion or New Site



Planned Technical Center



Manufacturing and Engineering Locations



Global Technical Centers

% CAGR ('15 ~ '20)

2015
Production
Volume

- Expanding existing manufacturing sites to support growth
- Adding new manufacturing facilities in key growth markets
- Planned new China technical center to enhance local market support

❖ Source: IHS vehicle production 2015

Strong Growth Profile

Backlog and Pursuits



- Backlog of ₩850B
- New business pursuits result in ₩1T of incremental revenue through 2020
- ❖ Note: Backlog represents awarded net new business (annualized) not yet launched



Improving Margins

1

2

3

4

5

Commercial

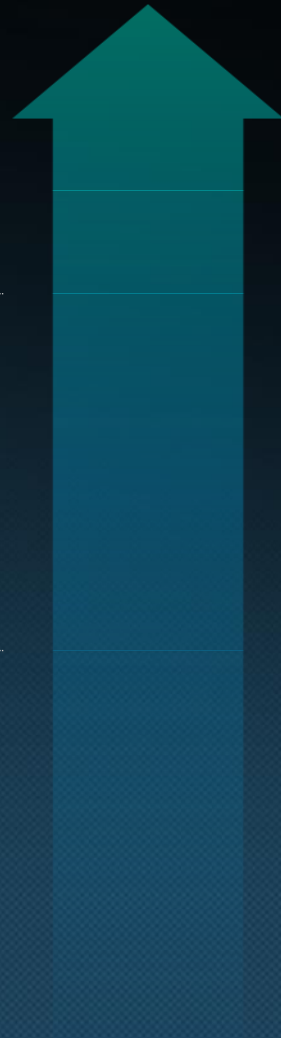
- Increased mix of higher margin thermal products
- New business wins leverage existing fixed cost to improve margins

Operational

- Consolidate direct and indirect material spend with key partners
- Manage Tier 1 - Tier 3 raw material and electronic spend
- Increase footprint capacity utilization
- Drive global process and design standardization

Structural

- Optimize human capital through lean functional organization
- Implement global IT platform with process standardization
- Address underperforming operations



Strategic Acquisition Plan

Targeted Areas of Focus



- Improve customer and regional mix
- Enhance penetration with growth customers



- Acquire footprint / capacity
- Enhance customer growth in emerging markets
- Gain economies of scale



- Bolster thermal systems portfolio
- Enhance system capability with technology customers

Key Benefits

- Supports Hanon System's growth plan (7% CAGR) well beyond 2020
- Improves overall customer and regional diversification
- Enhances ability to efficiently support global customers in emerging markets
- Reduces existing structural costs (SG&A and Eng.)
- Supports earnings growth, delivering value to shareholders
- Leverages experience with prior transactions (e.g., recent acquisition of Cooper Standard's thermal business)



Technology



“ In the next five to ten years, we will see more change in the auto industry than we’ve seen in the last 50. ”

- General Motors CEO Mary Barra

- Well-positioned, market-leading portfolio to address shifting powertrain trends
- Proven track record of putting advanced technologies on the road
- Enhanced and pro-active engagement of engineering services
- S.M.A.R.T** – Speedy, Market-leading, Affordable and Reliable Technologies



Well Positioned to Grow with New Technology, New Customers and New Markets

Growing New Thermal and Emissions

Trend

Europe leads CO₂ emissions regulations with continuing global convergence

U.S. leads tailpipe emissions regulations



Implications

Downsized and turbo-charged engines expected to grow to half the market by 2020

Real world tailpipe emissions will undergo greater scrutiny



Market-Leading Technologies

- Charge air cooler
- Low temperature radiators
- Electronic pumps and valves
- Turbo electronic wastegate actuator

- Exhaust gas recirculation module
- Exhaust heat recovery
- U.S. EPA off cycle credits



Thermal & Emissions Portfolio Brings Top Line Growth and New Market Opportunities

Regulations Drive Thermal Innovation

Powertrain Cooling

- Radiator : High and Low Temperature
- Condenser : Air, Water, Advanced
- Cooling Fan & Module : DC, PWM, BLDC



Passenger Thermal Management

- HVAC Module : Single, Dual and Multi-Zone
- Evaporator, Heater Core
- Compressor : Fixed, Variable
- Fluid Transport : Coolant, Refrigerant, IHX, Fittings
- Automatic Climate Control : Head, Sensor, Logic
- Air Quality System : Filter, Ionizer, Sensor



Internal Combustion Engine Thermal

- Charge Air Cooler : Air, Water, Advanced
- Exhaust Gas Recirculation (EGR):
Cooler, Bypass, Valve, High and Low Pressure, Advanced
- Exhaust Heat Recovery System (EHRS)
- Electronic Coolant Pump and Valve
- Electronic Wastegate Actuator (eWGA)
- Electronic Throttle Body (ETB)
- Oil Cooler & Warmer : Engine, Transmission














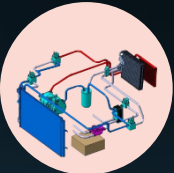










Fuel Cell Thermal

- Centrifugal Air Compressor
- Coolant Heater : Stack
- High Voltage Cooling Module : Brushless Direct Current (BLDC) Motor

New Energy Vehicle Solutions

- Heat Pump System : HV iCool, Advanced Heat Exchanger, EXV, Refrigerant Valves, Controls
- Battery Cooling : Chiller, Contact Heat Exchanger
- High Voltage Electric Compressor : Scroll
- High Voltage Electric (PTC) Air Heater
: Pulse Wave Modulation (PWM) Linear Control
- Induction Heater
- Electronic Coolant Pumps and Valves

Product Portfolio Driven by Market Trends

Efficient	Light, Compact	Turbo	Diesel	Stop-Start	e-Mobility
 <p>HV Modular Family Variable Compressor</p>	 <p>Sliding Door HVAC</p>	 <p>Charge Air Cooler (CAC)</p>	 <p>Exhaust Gas Recirculation (EGR)</p>	 <p>Cold Storage Evaporator</p>	 <p>FCEV Centrifugal Air Compressor</p>
 <p>High Efficiency Blower Scroll</p>	 <p>Rotary Suction Compressor (0.4kg lighter than Previous)</p>	 <p>Water-Cooled CAC</p>	 <p>Positive Temp Coefficient Heater</p>	 <p>48V e-Compressor</p>	 <p>Heat Pump</p>
 <p>Standardized High Performance-to-Weight Evaporator and Heater</p>	 <p>Split Condenser (0.24 Drag Coefficient)</p>	 <p>Low Temp Radiator</p>	 <p>Exhaust Heat Recovery Systems (EHRS)</p>	 <p>Electronic Coolant Pump</p>	 <p>Battery Thermal Management</p>
	 <p>Water-Air Cooled Condenser</p>	 <p>Charge Air Pre-Conditioner</p>		 <p>Electronic Coolant Valve</p>	 <p>HV iCOOL™</p>

Global Technical Centers

Kerpen GERMANY



- Lab expansion

Nový Jičín CZECH REPUBLIC



Van Buren Township UNITED STATES



- New thermal and emissions lab

Daejeon SOUTH KOREA



- Planned climactic wind tunnel
- Planned electromagnetic compatibility (EMC) lab



★ Global Tech Centers Responsible for

- Advanced technologies
- Core product R&D
- Global standardization of new technologies
- Intellectual property management

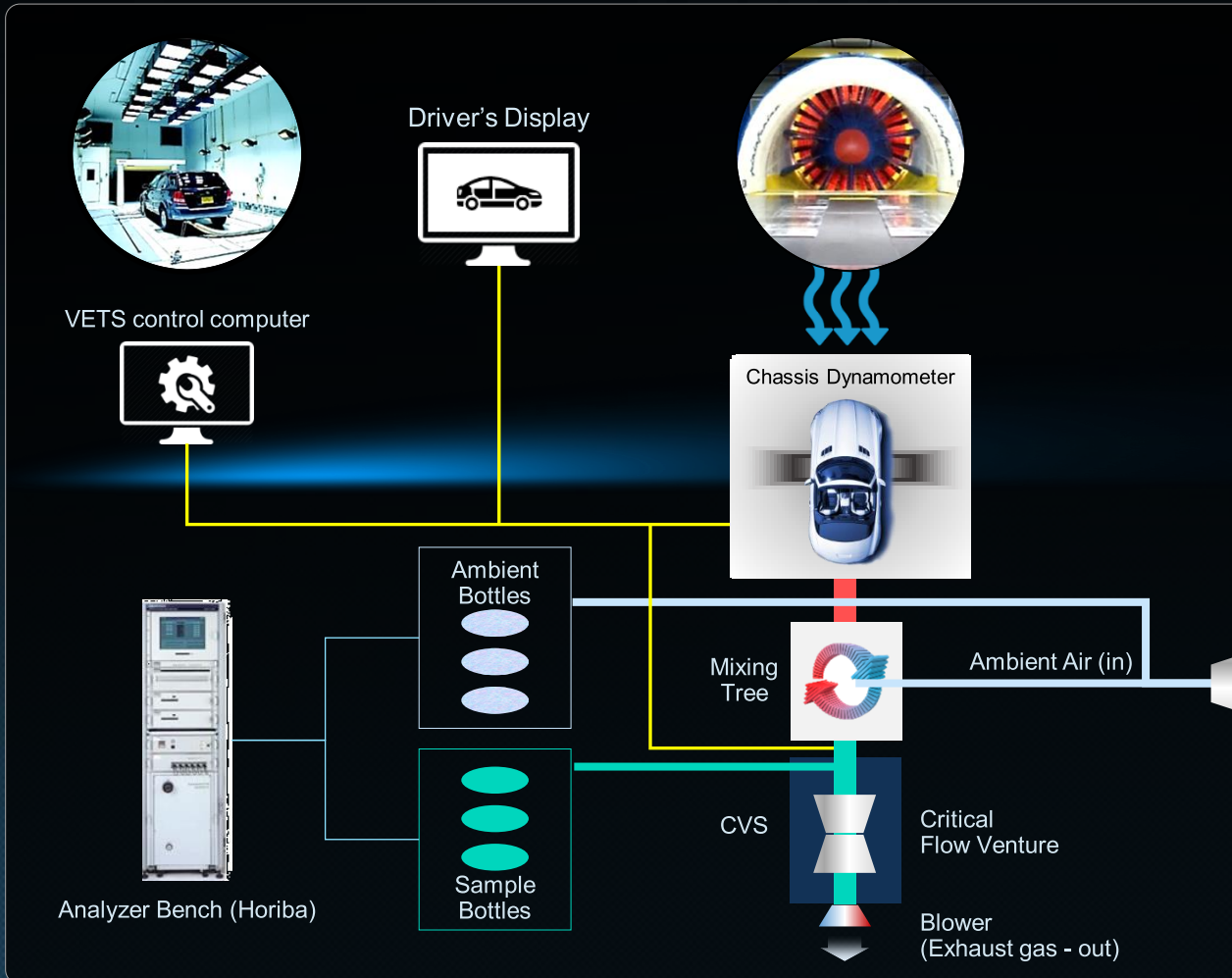
● Manufacturing and Engineering Locations

- Local applications engineering
- R&D customer relationships

4 Tech Centers Deliver Core Designs and Innovations
14 Engineering Centers Deliver Customer-Targeted Localization

Expanding Test Capability

Planned Climactic Wind Tunnel with Fuel Economy Test Capability



EU New European Driving Cycle

NEDC : UDC + EUDC

* UDC : Urban Driving Cycle

EU Worldwide harmonized Light-duty vehicle Test Procedure

**WLTP Class 1
+
Class 2
+
Class 3**

US EPA's Fuel Economy Test

**FTP
+
HWFET
+
SFTP
+
SC03**

World-Class Full Systems Capability Supports Vehicle-Level Testing

Sales



Sharpened Customer Focus for Growth



Strategic Customer Portfolio for Technology and Growth

Financial Performance



2015 Third Quarter Year-Over-Year

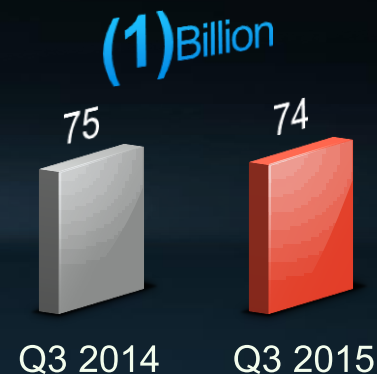
Product Sales

(K-IFRS / KRW in Billions)



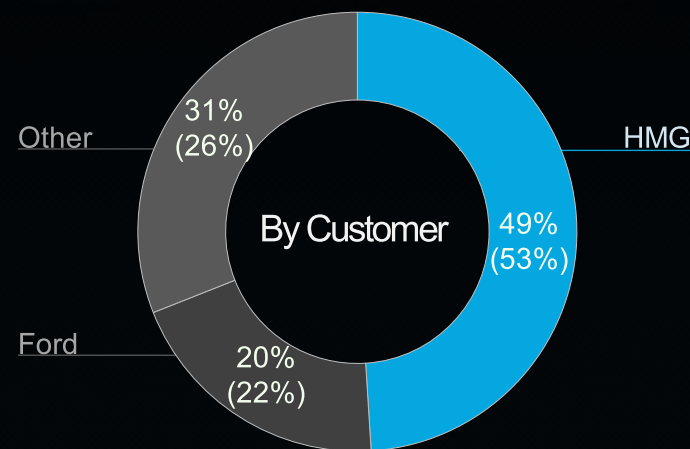
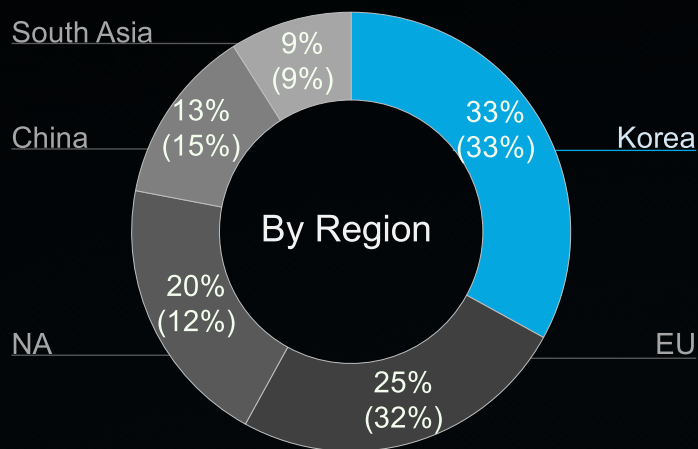
Operating Income

(K-IFRS / KRW in Billions)



Q3 Sales Breakdown

❖ Note: Percentages in parentheses are based on Q3 2014 sales.



2015 Third Quarter Financials

(K-IFRS / KRW in Billions)

2015

2014

B/(W) 2014

Sales

1,329

1,270

59

Operating Income

74 5.5%

75 5.9%

(1)

Net Income

45 3.4%

59 4.6%

(14)

Net Debt

(28)

(19)

(9)

EPS

397

517

(120)

Immediate Focus by New Management

Merger in 2013

Halla Visteon Climate Control

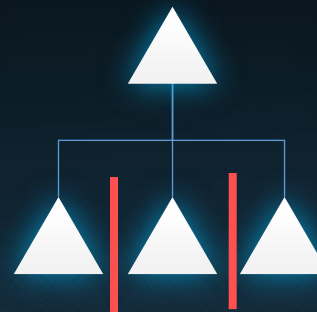


Result

- Financial synergy
- Operating synergy ?

Structural Change

Regional



Functional



Strategic Direction

- Eliminate redundancies
- Achieve pure efficiencies
- Optimize cost structure

PMI: Key Operating Initiatives Began in July 1

Key Operating Initiatives

Initiative

Objective

Procurement Improvement

Reform SCM to reduce procurement costs of commodities, raw materials and facilities

L&OH Optimization

Improve business processes of organization to eliminate inefficiencies in L&OH

Design Cost Innovation

Enhance product design to strengthen cost-competitiveness from design stage

Underperforming Plants

Remedy existing manufacturing practices of low-profit plants to improve bottom-line

⋮

⋮

To Continue until 2020

- 🌀 Quarterly dividends
- 🌀 Stock split
- 🌀 New management stock option program

Q & A



Product Showcase

